
TOO GOOD TO BE TRUE....

A Column on Consumer Issues

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ADVANCE FEE LOANS



The vast majority of lenders are owned and managed by legitimate professionals. But fraudulent loan brokers and other individuals misrepresenting the availability of credit and credit terms definitely are in business. One of their favorite strategies is the “advance-fee” loan. That is when they guarantee you will get a loan or other type of credit – but you must pay before you apply.

It is actually against the law for the ‘loan’ company to ask you to pay – or for them to accept payment – for their service until you get your loan or credit. If you don’t have the offer in hand or confirmed in writing and you are asked to pay, don’t do it. Ignore the ad or hang up on any caller that guarantees a loan in exchange for an advance fee.

One recent advance-fee loan scam went like this: a consumer responded to an advertisement in their local newspaper (illustrated above.) The consumer received a telephone call indicating their loan was approved for \$100,000 but because they previously had bad credit, they were required to make a down payment of \$6,000. The consumer was to wire the \$6,000 to an address in Canada. Luckily the consumer did some checking before sending the \$6,000 and realized they were dealing with a dishonest company. They also discovered that the sham company was misusing the name of a legitimate financial institution.

Advance-fee loan schemes should not be confused with legitimate offers of credit from money brokers, mortgage brokers, banks, savings and loans, and credit unions. Legitimate credit grantors may charge fees to process your loan application, but they will not guarantee that you will qualify for a loan. Advance-fee loan schemes, on the other hand, promise or strongly suggest that a loan will be provided in exchange for an up-front fee. Such up-front fees are illegal.

Here are a few precautions you should follow before responding to advertisements for advance-fee loans:

- ◆ Be wary of advertising that claims your bad credit makes no difference in getting a loan. If money is not available to you through traditional lending institutions, you probably will not get it by responding to a classified ad.
- ◆ Check out the company. Suspect companies often establish their operations in one state, advertise heavily for only a few months and collect their loan fees, only to close up shop and move on to another state before complaints are registered and local authorities have a chance to act.
- ◆ Be careful about making any loan agreements over the phone. Do not give your credit card, checking account, or social security numbers over the phone unless you are familiar with the company.
- ◆ Be cautious of lenders who use "800" and "900" numbers. You may call an "800" number which then directs you to dial a "900" number. You pay for "900" number calls, and the charges may be high.
- ◆ Ask to review any company's offer for credit in writing. Make sure you understand the terms of the agreement before you complete the transaction.

Any company that offers to find a loan for you must register with the state Department Financial Institutions as a money broker. You can call 701-328-9933 or check the agency's Internet site at <http://www.state.nd.us/bank/> to find out if a company is registered as a money broker.

Remember, scam artists prey on desperate people who want to believe they can get a loan despite their credit history. A guarantee is only as good as the company that gives it. We receive many consumer complaints from victims of advance-fee loan scams. These individuals sent hundreds (sometimes thousands) of dollars to such "loan companies" and never received any loans. It is impossible to recover such consumer payments from scam artists operating in other countries.

The Attorney General's Consumer Protection Division investigates allegations of fraud in the marketplace. Investigators also mediate individual complaints against businesses. If you have a consumer problem or question, call the Consumer Protection Division at 328-3404, toll-free at 1-800-472-2600, or 1-800-366-6888 (w/TTY). This article and other consumer information is located on our website at www.ag.state.nd.us.

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